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09/607,891	06/30/2000	Garnet G. Morris	55711/0002	1214

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EXAMINER

DASS, HARISH T

ART UNIT PAPER NUMBER

3693

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**GROUP 3600**

**BEFORE THE BOARD OF PATENT APPEALS  
AND INTERFERENCES**

Application Number: 09/607,891  
Filing Date: June 30, 2000  
Appellant(s): MORRIS ET AL.

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Morris Et Al.  
For Appellant

**EXAMINER'S ANSWER**

This is in response to the appeal brief filed 09/01/2006 appealing from the Office action mailed 08/11/2005.

**(1) Real Party in Interest**

A statement identifying by name the real party in interest is contained in the brief.

**(2) Related Appeals and Interferences**

The examiner is not aware of any related appeals, interferences, or judicial proceedings which will directly affect or be directly affected by or have a bearing on the Board's decision in the pending appeal.

**(3) Status of Claims**

The statement of the status of claims contained in the brief is correct.

**(4) Status of Amendments After Final**

No amendment after final has been filed.

**(5) Summary of Claimed Subject Matter**

The summary of claimed subject matter contained in the brief is correct.

**(6) Grounds of Rejection to be Reviewed on Appeal**

The appellant's statement of the grounds of rejection to be reviewed on appeal is correct.

**(7) Claims Appendix**

The copy of the appealed claims contained in the Appendix to the brief is correct.

**(8) Evidence Relied Upon**

- 1.) Elizabeth Moore "Swimming in Funds/Union funds may help Bay Shore aquarium", Newsday, NASSAU AND SUFFOLK Edition, Long Island, N.Y.: Jul 11, 1997. pg. A.08
- 2.) Applicant's Admitted Prior Art (APA)
- 3.) Galaty et al, "Modern Real Estate Practice", Fifth Edition, 2000".

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4.) Hymer- "Loan Options: Conforming Or Jumbo?", Mortgage Bankers Association of America Washington, DC - 1999; updated

### **(9) Grounds of Rejection**

The following ground(s) of rejection are applicable to the appealed claims:

### **DETAILED ACTION**

#### ***Drawings***

1. All figures should be labeled properly, for example, Figures 1-4 should be labeled prior art, and figure 1 has missing block numbers (labels). Fix all drawings in relation to the specification (correct reference numbers, e.g. Figure 1, OPCO - # 110, etc.)

#### ***Claim Objections***

2. Claims 1-20 are objected to because of the following informalities: particularly RCA should be spelled out. Appropriate correction is required.

#### ***Claim Rejections - 35 USC § 103***

3. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

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Claims 1-2, 6-14, 16-19 are rejected under 35 U.S.C. 103(a) as being unpatentable over Elizabeth Moore "Swimming in Funds/Union funds may help Bay Shore aquarium", Newsday, NASSAU AND SUFFOLK Edition, Long Island, N.Y.: Jul 11, 1997. pg. A.08 (hereinafter Moore) in view of Applicant's Admitted Prior Art (APA) and Galaty et al (hereinafter Galaty – "Modern Real Estate Practice", Fifth Edition, 2000).

Re. Claim 1, Moore discloses aggregating a plurality (pool) of loans, creating a plurality of debt securities backed by the plurality of loans, and selling the plurality of debt securities in an offering [see entire document - pages 1-3].

Moore does not explicitly disclose wherein each of the RCA loans is backed by a refundable tax deposit and life insurance policy; and including maintaining payments of principal and interest on the debt securities in an event of a default of one of the plurality of RCA loans; and wherein at least one of said aggregating, creating and selling uses at least one of a data processor and an electronic or computer communication link.

wherein each of the plurality of loans (mortgage loan) is secured by an insurance policy and each of the plurality of debt securities provides an investment in a claims-paying ability of each insurance company issuing the insurance policy; an additional service provider connected to the custodian, the additional service provider including one of a liquidity provider, an advance provider and a service, a master trustee connected to the custodian, the master trustee being legally authorized to seek monies refunded from a refundable tax account of a respective one of the plurality of loans, a principal and interest account connected to the custodian, and

loans, and a swap counterparty connected to the custodian, the swap counterparty converting payment from the portfolio of floating rate loans to a stream of fixed payments for providing payment to holders of the debt instruments.

However, universal life insurance (where universal life insurance is a flexible-premium, adjustable benefit life insurance policy that accumulates account value) and utilizing (uses) at least one of a data processor and an electronic and computer readable program code (software on hard-drive, floppy, or CD), computer coupled to the communication link by financial institutions are will known (e.g., use of computer system with internet communication or network links are know in financial institutions such as insurance, mortgage companies, banking and private companies are known).

APA discloses wherein each of the RCA loans is backed by a refundable tax deposit and life insurance policy; and including maintaining payments of principal and interest on the debt securities in an event of a default of one of the plurality of RCA loans and a special purpose vehicle (SPV) acquiring a portfolio of floating rate loans [see original specification pages 1-14] to allow employer make contribution for employee retirement benefits. It would have been obvious at the time the invention was made to a person having ordinary skill in the art to combine the disclosure of Moore and APA to aggregate funds and create security backed by pension funds where the income from the securities benefit the retirement accounts.

Galaty wherein each of the plurality of loans (mortgage loan) is secured by an insurance policy and each of the plurality of debt securities provides an investment in a claims-paying ability of each insurance company issuing the insurance policy [pages

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142-143, 227] comprising an additional service provider connected to the custodian, the additional service provider including one of a liquidity provider, an advance provider and a service, comprising a master trustee connected to the custodian, the master trustee being legally authorized to seek monies refunded from a refundable tax account of a respective one of the plurality of loans, a principal and interest account connected to the custodian [pages 142-143, 227] to allow to obtain loans backed by other financial instruments.

It would have been obvious at the time the invention was made to a person having ordinary skill in the art to combine the disclosures of Moore, Galaty and APA, to obtain incomes from asset backed securities and life insurance to fund pensions payable to executives as an incentive for attraction and retention of key executives.

Re. Claims 2 & 9, Galaty further discloses wherein the offering is one of a private offering and a public offering (common stocks and secondary market for mortgage loans) [page 227].

Claims 3-5, 15, & 20 are rejected under 35 U.S.C. 103(a) as being unpatentable over Moore, Galaty and APA as applied to claims 1, 7, 16 above, and further in view of Hymer.

Re. Claims 3, 15 and 20 Moore further does not explicitly disclose a distribution from a first party to a RCA account and to a refundable tax account, an amount of the

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distribution being equally divided between the RCA account and the refundable tax account, and

the life insurance policy owned by the RCA account having a cash surrender value at least as great as the amount of the distribution to the RCA account,

first loan from a lending party to the RCA account, the first loan having a value equal to a predetermined percentage of the distribution, the first loan being secured by the insurance policy and a right to monies recovered from the refundable tax account, and

a second loan from the RCA account to an intermediary party, the second loan having a value substantially equal to the value of the first loan, and

a third loan from the intermediary party to the first party, the third loan having a value substantially equal to the value of the first loan.

However, APA discloses a distribution from a first party to a RCA account (RCA account = account) and to a refundable tax account, an amount of the distribution being equally divided between the RCA account and the refundable tax account, and an insurance policy owned by the RCA account and having a cash surrender value at least as great as the amount of the distribution to the RCA account to allow the executive to withdraw RCA assets when he is retires.

Further, Hymer disclose a first loan from a lending party to the account, the first loan having a value equal to a predetermined percentage of the distribution, the first loan being secured by the insurance policy and a right to monies recovered from the refundable tax account, and a second loan from the account to an intermediary party,



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the second loan having a value substantially equal to the value of the first loan, and a third loan from the intermediary party to the first party, the third loan having a value substantially equal to the value of the first loan to keep the financing cost down. It would have been obvious to one of ordinary skill in the art of loans (mortgage loan, etc.) systems to combine Moore, Galaty and APA, to allow the executive to withdraw from his RCA assets when he is retires and combine Moore, Galaty, APA and Hymer for pay off his second loan earlier to benefit from not paying higher interest.

Re. Claims, 4-5, Moore does not explicitly disclose wherein the universal life insurance policy includes a first cash surrender value and a second cash surrender value greater than the first cash surrender value, wherein upon a default condition of a respective one of the plurality of RCA loans, the second cash surrender value is used to offset a negative carry condition. However, these steps are will known (for example, PMI (private mortgage insurance) just does the same thing) to provide assurance to the lender in case the loan is not paid. It would have been obvious to one of ordinary skill in the art of loans (mortgage loan, etc.) systems to modify the disclosure of Moore, Galaty and APA and include universal life insurance policy ~~with~~ flexible-premium, adjustable benefit to allow provide the policy holder a flexibility to change the amount of insurance as it is needs fore better outcome and benefits.

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**(10) Response to Argument**

In response to applicants argument (page 9) regarding the rejection of claims 1-2, 6-14 And 16-19 Are Patentable Under 35 U.S.C. § 103(a) Over Moore, The APA And Galaty.

A. Re. Independent claims 1, 7 and 16 – primary reference Moore teaches i.)

aggregating a plurality of loans, ii.) creating a plurality of debt securities (bonds) backed by the plurality of loans, and iii.) selling the plurality of debt securities in an offering (see office action paper # 20050806 page 1). Which means (to Examiner) a prior art exists that teaches:

1.) creating plurality of debt securities backed by loans, where the loans are backed by pension funds (union's pension funds backed them), and

2.) the debt securities (bonds) are sold in offering (inherent in selling bonds).

3.) the loan can be any types of loan which has a value (home loan, mortgage, credit card collectables, etc.), and accounting system is inherent in disclosure of Moore.

B. In response to applicants argument that the references fail to show certain features of applicant's invention it is noted that the features upon which applicant relies (i.e., page 9 line 14 recites "Independent claim 1 recites a method for securitizing RCA loans", page 10 lines 3-4 "Examiner's persistent failure ... securitizing a plurality of RCA loans ...", and page 12 line 22 "relatively illiquid") are not recited in the rejected.

Although the claims are interpreted in light of the specification, limitations from the specification are not read into the claims. See *In re Van Geuns*, 988 F.2d 1181, 26

USPQ2d 1057 (Fed. Cir. 1993). Further, the recitation "securitizing RCA loan" occurs in the preamble. A preamble is generally not accorded any patentable weight where it merely recites the purpose of a process or the intended use of a structure, and where the body of the claim does not depend on the preamble for completeness but, instead, the process steps or structural limitations are able to stand alone. See *In re Hirao*, 535 F.2d 67, 190 USPQ 15 (CCPA 1976) and *Kropa v. Robie*, 187 F.2d 150, 152, 88 USPQ 478, 481 (CCPA 1951).

C. In response to applicant's argument (page 10 line 6 and page 12 lines 6-7) that the references fail to show certain features "maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans – and not ...", the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art. See *In re Keller*, 642 F.2d 413, 208 USPQ 871 (CCPA 1981), (i.e. see paper # 20050806 page 4, secondary references Applicant's Admitted Prior Art (APA) and Galaty do disclose the missing features), and

In response to applicant's argument that there is no suggestion to combine the references, the Courts have stated that "[a] suggestion, teaching, or motivation to combine the relevant prior art teachings does not have to be found explicitly in the prior art, as the teaching, motivation, or suggestion may be implicit from the prior art as a

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whole, rather than expressly stated in the references...The test for an implicit showing is what the combined teachings, knowledge of one of ordinary skill in the art, and the nature of the problem to be solved as a whole would have suggested to those of ordinary skill in the art... there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness." (emphasis added) In re Kahn, 78 USPQ2d 1329, 1336 (CA FC 2006). Examiner asserts that he can and/or has provided such "articulated reasoning" to support the legal conclusion of obviousness. Particularly, the motivations are found in page 4 lines 9-10, 12-13, page 5 lines 1-2, and lines 4-6:

D. In response to applicant's argument (page 12 line 11) recites "Galaty relates to the well-known mortgage-backed security ..." is nonanalogous art, it has been held that a prior art reference must either be in the field of applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the applicant was concerned, in order to be relied upon as a basis for rejection of the claimed invention. See In re Oetiker, 977 F.2d 1443, 24 USPQ2d 1443 (Fed. Cir. 1992). In this case, (see paper # 20050806 page 4) plurality of loans (mortgage loans) are secured by insurance policy.

E. In response to applicant's argument (page 10 line 13) recites "In the final Office Action mailed August 11, 2005, the Examiner states that "[i]t would ... attraction and retention of key executives.", the fact that applicant has recognized another advantage which would flow naturally from following the suggestion of the prior art cannot be the

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basis for patentability when the differences would otherwise be obvious. See Ex parte Obiaya, 227 USPQ 58, 60 (Bd. Pat. App. & Inter. 1985).

**(11) Related Proceeding(s) Appendix**

No decision rendered by a court or the Board is identified by the examiner in the Related Appeals and Interferences section of this examiner's answer.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

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Examiner

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PRIMARY EXAMINER